



General Assembly

February Session, 2018

Raised Bill No. 266

LCO No. 1759



Referred to Committee on COMMERCE

Introduced by:
(CE)

***AN ACT CONCERNING INCENTIVES TO ENCOURAGE THE GROWTH
OF BIOSCIENCE VENTURE CAPITAL IN CONNECTICUT.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective July 1, 2018, and applicable to taxable years*
2 *commencing on or after January 1, 2018*) (a) As used in this section:

3 (1) "Bioscience investment ratio" means a ratio, the denominator of
4 which is the total amount of money invested by a qualified venture
5 capital fund plus the total amount of money available for other
6 investments by such fund, and the numerator of which is the total
7 amount of money invested by such fund in bioscience businesses;

8 (2) "Bioscience business" means any business that is engaged in (A)
9 the manufacture of pharmaceuticals, medicines, medical equipment,
10 medical devices and analytical laboratory instruments, (B) the
11 operation of medical or diagnostic testing laboratories, or (C) the
12 conducting of pure research and development in life sciences;

13 (3) "General partner" means a general partner, as defined in section

14 12-213 of the general statutes; and

15 (4) "Qualified venture capital fund" means a venture capital fund, as
16 defined in 17 CFR 275.203(l)-1, that is established on or after January 1,
17 2018.

18 (b) The maximum annual modification under subparagraph
19 (B)(xxiv) of subdivision (20) of subsection (a) of section 12-701 of the
20 general statutes, as amended by this act, shall be equal to:

21 (1) The amount of income received by a general partner of a
22 qualified venture capital fund from the sale, transfer, exchange or
23 other disposition of any form of such fund's equity interests in a
24 bioscience business obtained from investments made by such fund in
25 such business on or after January 1, 2018; plus

26 (2) The amount of income received by a general partner for the
27 management of such fund, except the income described in subdivision
28 (1) of this subsection, multiplied by such fund's bioscience investment
29 ratio on the last day of the taxable year.

30 (c) The Commissioner of Revenue Services shall adopt regulations,
31 in accordance with the provisions of chapter 54, to implement the
32 provisions of this section.

33 Sec. 2. Subparagraph (B) of subdivision (20) of subsection (a) of
34 section 12-701 of the 2018 supplement to the general statutes is
35 repealed and the following is substituted in lieu thereof (*Effective July*
36 *1, 2018, and applicable to taxable years commencing on or after January 1,*
37 *2018*):

38 (B) There shall be subtracted therefrom (i) to the extent properly
39 includable in gross income for federal income tax purposes, any
40 income with respect to which taxation by any state is prohibited by
41 federal law, (ii) to the extent allowable under section 12-718, exempt
42 dividends paid by a regulated investment company, (iii) the amount of
43 any refund or credit for overpayment of income taxes imposed by this
44 state, or any other state of the United States or a political subdivision

45 thereof, or the District of Columbia, to the extent properly includable
46 in gross income for federal income tax purposes, (iv) to the extent
47 properly includable in gross income for federal income tax purposes
48 and not otherwise subtracted from federal adjusted gross income
49 pursuant to clause (x) of this subparagraph in computing Connecticut
50 adjusted gross income, any tier 1 railroad retirement benefits, (v) to the
51 extent any additional allowance for depreciation under Section 168(k)
52 of the Internal Revenue Code, as provided by Section 101 of the Job
53 Creation and Worker Assistance Act of 2002, for property placed in
54 service after December 31, 2001, but prior to September 10, 2004, was
55 added to federal adjusted gross income pursuant to subparagraph
56 (A)(ix) of this subdivision in computing Connecticut adjusted gross
57 income for a taxable year ending after December 31, 2001, twenty-five
58 per cent of such additional allowance for depreciation in each of the
59 four succeeding taxable years, (vi) to the extent properly includable in
60 gross income for federal income tax purposes, any interest income
61 from obligations issued by or on behalf of the state of Connecticut, any
62 political subdivision thereof, or public instrumentality, state or local
63 authority, district or similar public entity created under the laws of the
64 state of Connecticut, (vii) to the extent properly includable in
65 determining the net gain or loss from the sale or other disposition of
66 capital assets for federal income tax purposes, any gain from the sale
67 or exchange of obligations issued by or on behalf of the state of
68 Connecticut, any political subdivision thereof, or public
69 instrumentality, state or local authority, district or similar public entity
70 created under the laws of the state of Connecticut, in the income year
71 such gain was recognized, (viii) any interest on indebtedness incurred
72 or continued to purchase or carry obligations or securities the interest
73 on which is subject to tax under this chapter but exempt from federal
74 income tax, to the extent that such interest on indebtedness is not
75 deductible in determining federal adjusted gross income and is
76 attributable to a trade or business carried on by such individual, (ix)
77 ordinary and necessary expenses paid or incurred during the taxable
78 year for the production or collection of income which is subject to
79 taxation under this chapter but exempt from federal income tax, or the

80 management, conservation or maintenance of property held for the
81 production of such income, and the amortizable bond premium for the
82 taxable year on any bond the interest on which is subject to tax under
83 this chapter but exempt from federal income tax, to the extent that
84 such expenses and premiums are not deductible in determining federal
85 adjusted gross income and are attributable to a trade or business
86 carried on by such individual, (x) (I) for taxable years commencing
87 prior to January 1, 2019, for a person who files a return under the
88 federal income tax as an unmarried individual whose federal adjusted
89 gross income for such taxable year is less than fifty thousand dollars,
90 or as a married individual filing separately whose federal adjusted
91 gross income for such taxable year is less than fifty thousand dollars,
92 or for a husband and wife who file a return under the federal income
93 tax as married individuals filing jointly whose federal adjusted gross
94 income for such taxable year is less than sixty thousand dollars or a
95 person who files a return under the federal income tax as a head of
96 household whose federal adjusted gross income for such taxable year
97 is less than sixty thousand dollars, an amount equal to the Social
98 Security benefits includable for federal income tax purposes; (II) for
99 taxable years commencing prior to January 1, 2019, for a person who
100 files a return under the federal income tax as an unmarried individual
101 whose federal adjusted gross income for such taxable year is fifty
102 thousand dollars or more, or as a married individual filing separately
103 whose federal adjusted gross income for such taxable year is fifty
104 thousand dollars or more, or for a husband and wife who file a return
105 under the federal income tax as married individuals filing jointly
106 whose federal adjusted gross income from such taxable year is sixty
107 thousand dollars or more or for a person who files a return under the
108 federal income tax as a head of household whose federal adjusted
109 gross income for such taxable year is sixty thousand dollars or more,
110 an amount equal to the difference between the amount of Social
111 Security benefits includable for federal income tax purposes and the
112 lesser of twenty-five per cent of the Social Security benefits received
113 during the taxable year, or twenty-five per cent of the excess described
114 in Section 86(b)(1) of the Internal Revenue Code; (III) for the taxable

115 year commencing January 1, 2019, and each taxable year thereafter, for
116 a person who files a return under the federal income tax as an
117 unmarried individual whose federal adjusted gross income for such
118 taxable year is less than seventy-five thousand dollars, or as a married
119 individual filing separately whose federal adjusted gross income for
120 such taxable year is less than seventy-five thousand dollars, or for a
121 husband and wife who file a return under the federal income tax as
122 married individuals filing jointly whose federal adjusted gross income
123 for such taxable year is less than one hundred thousand dollars or a
124 person who files a return under the federal income tax as a head of
125 household whose federal adjusted gross income for such taxable year
126 is less than one hundred thousand dollars, an amount equal to the
127 Social Security benefits includable for federal income tax purposes;
128 and (IV) for the taxable year commencing January 1, 2019, and each
129 taxable year thereafter, for a person who files a return under the
130 federal income tax as an unmarried individual whose federal adjusted
131 gross income for such taxable year is seventy-five thousand dollars or
132 more, or as a married individual filing separately whose federal
133 adjusted gross income for such taxable year is seventy-five thousand
134 dollars or more, or for a husband and wife who file a return under the
135 federal income tax as married individuals filing jointly whose federal
136 adjusted gross income from such taxable year is one hundred
137 thousand dollars or more or for a person who files a return under the
138 federal income tax as a head of household whose federal adjusted
139 gross income for such taxable year is one hundred thousand dollars or
140 more, an amount equal to the difference between the amount of Social
141 Security benefits includable for federal income tax purposes and the
142 lesser of twenty-five per cent of the Social Security benefits received
143 during the taxable year, or twenty-five per cent of the excess described
144 in Section 86(b)(1) of the Internal Revenue Code, (xi) to the extent
145 properly includable in gross income for federal income tax purposes,
146 any amount rebated to a taxpayer pursuant to section 12-746, (xii) to
147 the extent properly includable in the gross income for federal income
148 tax purposes of a designated beneficiary, any distribution to such
149 beneficiary from any qualified state tuition program, as defined in

150 Section 529(b) of the Internal Revenue Code, established and
151 maintained by this state or any official, agency or instrumentality of
152 the state, (xiii) to the extent allowable under section 12-701a,
153 contributions to accounts established pursuant to any qualified state
154 tuition program, as defined in Section 529(b) of the Internal Revenue
155 Code, established and maintained by this state or any official, agency
156 or instrumentality of the state, (xiv) to the extent properly includable
157 in gross income for federal income tax purposes, the amount of any
158 Holocaust victims' settlement payment received in the taxable year by
159 a Holocaust victim, (xv) to the extent properly includable in gross
160 income for federal income tax purposes of an account holder, as
161 defined in section 31-51ww, interest earned on funds deposited in the
162 individual development account, as defined in section 31-51ww, of
163 such account holder, (xvi) to the extent properly includable in the
164 gross income for federal income tax purposes of a designated
165 beneficiary, as defined in section 3-123aa, interest, dividends or capital
166 gains earned on contributions to accounts established for the
167 designated beneficiary pursuant to the Connecticut Homecare Option
168 Program for the Elderly established by sections 3-123aa to 3-123ff,
169 inclusive, (xvii) to the extent properly includable in gross income for
170 federal income tax purposes, any income received from the United
171 States government as retirement pay for a retired member of (I) the
172 Armed Forces of the United States, as defined in Section 101 of Title 10
173 of the United States Code, or (II) the National Guard, as defined in
174 Section 101 of Title 10 of the United States Code, (xviii) to the extent
175 properly includable in gross income for federal income tax purposes
176 for the taxable year, any income from the discharge of indebtedness in
177 connection with any reacquisition, after December 31, 2008, and before
178 January 1, 2011, of an applicable debt instrument or instruments, as
179 those terms are defined in Section 108 of the Internal Revenue Code, as
180 amended by Section 1231 of the American Recovery and Reinvestment
181 Act of 2009, to the extent any such income was added to federal
182 adjusted gross income pursuant to subparagraph (A)(xi) of this
183 subdivision in computing Connecticut adjusted gross income for a
184 preceding taxable year, (xix) to the extent not deductible in

185 determining federal adjusted gross income, the amount of any
 186 contribution to a manufacturing reinvestment account established
 187 pursuant to section 32-9zz in the taxable year that such contribution is
 188 made, (xx) to the extent properly includable in gross income for federal
 189 income tax purposes, (I) for the taxable year commencing January 1,
 190 2015, ten per cent of the income received from the state teachers'
 191 retirement system, (II) for the taxable years commencing January 1,
 192 2016, January 1, 2017, and January 1, 2018, twenty-five per cent of the
 193 income received from the state teachers' retirement system, and (III)
 194 for the taxable year commencing January 1, 2019, and each taxable year
 195 thereafter, fifty per cent of the income received from the state teachers'
 196 retirement system or the percentage, if applicable, pursuant to clause
 197 (xxi) of this subparagraph, (xxi) to the extent properly includable in
 198 gross income for federal income tax purposes, except for retirement
 199 benefits under clause (iv) of this subparagraph and retirement pay
 200 under clause (xvii) of this subparagraph, for a person who files a
 201 return under the federal income tax as an unmarried individual whose
 202 federal adjusted gross income for such taxable year is less than
 203 seventy-five thousand dollars, or as a married individual filing
 204 separately whose federal adjusted gross income for such taxable year is
 205 less than seventy-five thousand dollars, or as a head of household
 206 whose federal adjusted gross income for such taxable year is less than
 207 seventy-five thousand dollars, or for a husband and wife who file a
 208 return under the federal income tax as married individuals filing
 209 jointly whose federal adjusted gross income for such taxable year is
 210 less than one hundred thousand dollars, (I) for the taxable year
 211 commencing January 1, 2019, fourteen per cent of any pension or
 212 annuity income, (II) for the taxable year commencing January 1, 2020,
 213 twenty-eight per cent of any pension or annuity income, (III) for the
 214 taxable year commencing January 1, 2021, forty-two per cent of any
 215 pension or annuity income, (IV) for the taxable year commencing
 216 January 1, 2022, fifty-six per cent of any pension or annuity income, (V)
 217 for the taxable year commencing January 1, 2023, seventy per cent of
 218 any pension or annuity income, (VI) for the taxable year commencing
 219 January 1, 2024, eighty-four per cent of any pension or annuity income,

220 and (VII) for the taxable year commencing January 1, 2025, any
 221 pension or annuity income, (xxii) the amount of lost wages and
 222 medical, travel and housing expenses, not to exceed ten thousand
 223 dollars in the aggregate, incurred by a taxpayer during the taxable year
 224 in connection with the donation to another person of an organ for
 225 organ transplantation occurring on or after January 1, 2017, [and]
 226 (xxiii) to the extent properly includable in gross income for federal
 227 income tax purposes, the amount of any financial assistance received
 228 from the Crumbling Foundations Assistance Fund or paid to or on
 229 behalf of the owner of a residential building pursuant to sections 8-442
 230 and 8-443, and (xxiv) to the extent allowable under section 1 of this act
 231 and properly includable in gross income for federal income tax
 232 purposes, certain income received by a general partner of a venture
 233 capital fund, as defined in 17 CFR 275.203(l)-1.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2018, and applicable to taxable years commencing on or after January 1, 2018</i>	New section
Sec. 2	<i>July 1, 2018, and applicable to taxable years commencing on or after January 1, 2018</i>	12-701(a)(20)(B)

Statement of Purpose:

To exempt from the personal income tax certain income received by general partners of venture capital firms.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]